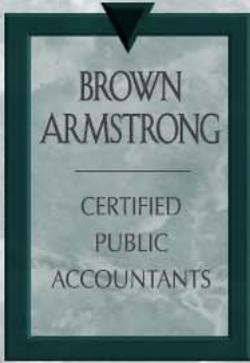


CITY OF BAKERSFIELD, CALIFORNIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2015
(With Auditor's Reports Thereon)

**CITY OF BAKERSFIELD, CALIFORNIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2015**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Bakersfield, California

BAKERSFIELD OFFICE (MAIN OFFICE)

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STOCKTON, CA 95207
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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bakersfield (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

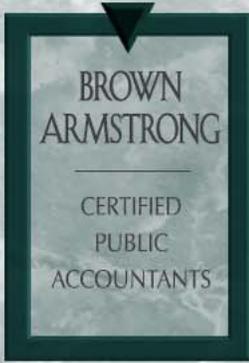
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
January 7, 2016



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council
City of Bakersfield, California

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Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Bakersfield, California, (the City) the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2015. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 7, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
March 1, 2016

CITY OF BAKERSFIELD, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Grant Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct Programs:			
Community Development Block Grant			
Entitlement	14.218	N/A	\$ 6,388,341
Emergency Shelter Grant	14.231	N/A	308,020
Home Investment Partnership Program	14.239	N/A	<u>246,350</u>
Total U.S. Department of Housing and Urban Development			<u>6,942,711</u>
U.S. Department of Justice:			
Edward Byrne Memorial Formula Grant	16.738	N/A	205,110
Public Safety Partnership and Community Policing	16.710	N/A	<u>582,850</u>
Total U.S. Department of Justice			<u>787,960</u>
U.S. Department of Transportation:			
Airport Improvement Program	20.106	N/A	<u>165,172</u>
Passed through California Office of Traffic Safety:			
State Community Highway Safety	20.600	PT1478	<u>476,082</u>
Passed through California Department of Transportation:			
Highway Planning and Construction Grants:			
Surface Transportation Program	20.205	STPL-5109	16,752,115
Transportation Equity Act	20.205	HTP2IL-5109; PRNS-5109; and NCIP-5109	69,704,049
Highway Bridge Replacement	20.205	BRLSZD-5109 (046)	95,448
Highway Safety Improvement Program	20.205	HSIPL-5109	109,175
Congestion Mitigation and Air Quality Program	20.205	CML-5109	<u>2,107,028</u>
Subtotal - Highway Planning and Construction Grants			<u>88,767,815</u>
Total U.S. Department of Transportation			<u>89,409,069</u>
U.S. Department of Homeland Security:			
Assistance to Firefighters	97.044	N/A	<u>7,629</u>
Total U.S. Department of Homeland Security			<u>7,629</u>
Total Grants			<u>\$ 97,147,369</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BAKERSFIELD, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all Federal Financial Assistance programs of the City of Bakersfield, California (the City). As defined in Note 1 of the Notes to the City's basic financial statements, those financial statements and the accompanying SEFA present the City and its component units, if any, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements of the City to emphasize that they are legally separate from the City. Each blended and discretely presented component unit has a June 30 year-end. The City's Comprehensive Annual Financial Report (CAFR) may be obtained at the Finance Department.

Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 1 of the Notes to the City's basic financial statements.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic Federal financial reports.

NOTE 4 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of the amounts listed in the SEFA to the City’s basic financial statements:

	Federal Grantor/Program Title						Federal Grantor/Program Title		
	U.S Department of Housing and Urban Development			U.S. Department of Transportation			Department of Homeland Security	U.S. Department of Justice	
	Community Development Block Grant - Entitlement	Emergency Shelter Grant	HOME Investment Partnership	Airport Improvement Program	State and Community Highway Safety	Highway Planning and Construction	Assistance to Firefighters	Edward Byrne Memorial Grant	Public Safety Partnership and Community Policing
Federal Financial Assistance Recognized	\$ 5,958,414	\$ 308,020	\$ 246,350	\$ 165,172	\$ 476,082	\$ 88,767,815	\$ 7,629	\$ 205,110	\$ 582,850
Total	<u>\$ 5,958,414</u>	<u>\$ 308,020</u>	<u>\$ 246,350</u>	<u>\$ 165,172</u>	<u>\$ 476,082</u>	<u>\$ 88,767,815</u>	<u>\$ 7,629</u>	<u>\$ 205,110</u>	<u>\$ 582,850</u>
Reimbursable Disbursement/Expenditure	\$ 6,388,341	\$ 308,020	\$ 246,350	\$ 165,172	\$ 476,082	\$ 88,767,815	\$ 7,629	\$ 205,110	\$ 582,850
Total Disbursement/Expenditure	<u>\$ 6,388,341</u>	<u>\$ 308,020</u>	<u>\$ 246,350</u>	<u>\$ 165,172</u>	<u>\$ 476,082</u>	<u>\$ 88,767,815</u>	<u>\$ 7,629</u>	<u>\$ 205,110</u>	<u>\$ 582,850</u>
Unpaid Billings as of June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,816,150	\$ -	\$ -	\$ -
Due from State/Local Governments	216,234	-	13,995	36,628	-	28,499,550	-	24,667	84,083
Accrued Revenue June 30, 2015	-	-	-	-	-	-	-	-	-
Due from Other Governmental Agencies	<u>\$ 216,234</u>	<u>\$ -</u>	<u>\$ 13,995</u>	<u>\$ 36,628</u>	<u>\$ -</u>	<u>\$ 32,315,700</u>	<u>\$ -</u>	<u>\$ 24,667</u>	<u>\$ 84,083</u>

NOTE 4 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of the variances between Expenditures and Federal Financial Assistance recognized:

	Federal Grantor/Program Title						Federal Grantor/Program Title		
	U.S. Department of Housing and Urban Development		U.S. Department of Transportation		Department of Homeland Security	U.S. Department of Justice			
	Community Development Block Grant - Entitlement	Emergency Shelter Grant	HOME Investment Partnership	Airport Improvement Program	State and Community Highway Safety	Highway Planning and Construction	Assistance to Firefighters	Edward Byrne Memorial Grant	Public Safety Partnership and Community Policing
Federal Financial Assistance Recognized	\$ 5,958,414	\$ 308,020	\$ 246,350	\$ 165,172	\$ 476,082	\$ 88,767,815	\$ 7,629	\$ 205,110	\$ 582,850
Other	-	-	-	-	-	-	-	-	-
Total	<u>\$ 5,958,414</u>	<u>\$ 308,020</u>	<u>\$ 246,350</u>	<u>\$ 165,172</u>	<u>\$ 476,082</u>	<u>\$ 88,767,815</u>	<u>\$ 7,629</u>	<u>\$ 205,110</u>	<u>\$ 582,850</u>
Total Disbursement/Expenditure	<u>\$ 6,388,341</u>	<u>\$ 308,020</u>	<u>\$ 246,350</u>	<u>\$ 165,172</u>	<u>\$ 476,082</u>	<u>\$ 88,767,815</u>	<u>\$ 7,629</u>	<u>\$ 205,110</u>	<u>\$ 582,850</u>
Variance of Revenues Recognized Over/(Under) Expenditures	<u>(429,927)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Income Used	<u>(429,927)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BAKERSFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor's report issued		Unmodified
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	___ <u>x</u> no
• Significant deficiencies identified not considered to be material weaknesses?	___ yes	___ <u>x</u> no
Noncompliance material to financial statements noted?	___ yes	___ <u>x</u> no

Federal Awards:

Internal control over major programs:		
• Material weakness(es) identified?	___ yes	___ <u>x</u> no
• Significant deficiencies identified not considered to be material weaknesses?	___ yes	___ <u>x</u> no
Type of auditor's report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	___ yes	___ <u>x</u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	U.S. Department of Transportation – Passed through California Department of Transportation: Highway Planning and Transportation Program
14.218	U.S. Department of Housing and Urban Development – Direct Program: Community Development Block Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 2,914,421
Auditee qualified as low-risk auditee?	___ <u>x</u> yes ___ no

SECTION II – FINDINGS RELATING TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS)

None.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2014-001

Program: Highway Planning and Construction

CFDA No.: 20.205

Federal Agency: U.S. Department of Transportation

Passed Through: California Department of Transportation

Award Year: Fiscal Year 2013-2014

Compliance Requirement: Allowable/Non-Allowable Testing – Payroll Control

Questioned Costs: \$464

Criteria:

Per U.S. Office of Management and Budget (OMB) Circular A-87, it is required that employment conforms to certain requirements, including proper approval and review of timecards.

Condition:

As part of our testing on payroll allowable/non-allowable costs for the Highway Planning and Construction audit, we reviewed 40 timecards. Based on our testing of 40 timecards, we noted 2 items:

- 2 timecards lacked supervisor approval.
- 1 timecard contained time that was incorrectly charged to a federally funded project and lacked documentation for the charge which resulted in \$464 incorrectly charged to the Highway Planning and Construction grant.

Context:

The conditions noted above were identified during our examination of the City's compliance with payroll controls.

Effect:

Time could have been incorrectly charged to that particular project when in fact the time was not spent on that project in a material manner.

Cause:

For 2 out of the 40 timecards, the Supervisor Approval line was left blank, lacking the supervisor's signature of approval. Timecards must be signed and approved by the supervisor for that particular job. Additionally, per review of 1 out of the 40 timecards, no time was charged to the federally funded highway planning and construction project selected for testing; however, per review of the payroll distribution report, time was charged to this project.

Recommendation:

We recommend that the City verifies that all timecards are reviewed and approved by a supervisor and all time is correctly charged on the timecards.

Views of Responsible Officials and Planned Corrective Actions:

The City is aware of the oversights by some divisions in which timecards have not been properly reviewed and approved by supervisors before processing for payroll. Further controls will be implemented to assure compliance with City policies and Federal grant requirements.

Current Year Condition:

Implemented.

Finding 2014-002

Program: Highway Planning and Construction
CFDA No.: 20.205
Federal Agency: U.S. Department of Transportation
Passed Through: California Department of Transportation
Award Year: Fiscal Year 2013-2014
Compliance Requirement: Real Property Acquisition
Questioned Costs: None

Criteria:

Per OMB Circular A-87, it is required that all appraisals and internal valuations are to be approved by the City.

Condition:

For 2 out of 23 Real Property Acquisitions tested for the Highway Planning and Construction audit, we noted there was no City approval on the internal valuation appraisals (which are done if a property is valued at less than \$10,000).

Context:

The conditions noted above were identified during our examination of the City's compliance with Real Property Acquisitions.

Effect:

An incorrect valuation could be done or submitted without City approval and the real property could be purchased for the incorrect price.

Cause:

For 2 out of the 23 Real Property Acquisitions, the City's approval line was left blank on the internal appraisal reports, lacking the City's signature of approval as to the amount of just compensation. Internal appraisals must be signed and approved by the City as to the amount of just compensation.

Recommendation:

We recommend that management performs a review of all valuation appraisals for Real Property Acquisitions.

Views of Responsible Officials and Planned Corrective Actions:

The City's procedures do require final approval by the Property Management division of the Finance Department, but an oversight by our sub-contractor (OPC) resulted in two informal valuations (values of \$2,467 and \$1,215) being filed prior to having the final review by City staff. The City has implemented procedures with the sub-contractor that will ensure proper review and approval prior to acquisition in the future.

Current Year Condition:

Implemented.